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Are Workers in the Rural South Ready for the Future?

Widespread prosperity in the South has not benefited everyone. Some Southerners continue to live in poverty, lack adequate education and training, and experience racial inequality. Consequently, those Southerners fare poorly in the current labor market and are positioned poorly for future labor markets. Many live in the region's rural areas. Indeed, one could make the case that there are two Souths—one prospering and ready for the future, another lagging and vulnerable.

After decades as the Nation's economic backwater, the South has risen to prominence. In fact, it's the second fastest growing region of the country. As a result, millions of Southerners are enjoying prosperity and a hopeful future. But all is not rosy. For millions, the future is hopeful but for others it is ominous. To say that the difference is decided by skin color, occupation, education, or place of residence is, obviously, an oversimplification—but not a gross one. Southern Whites still have higher incomes than Southern Blacks. Professionals have more opportunities and security than do blue-collar workers. College graduates earn higher wages than do high school dropouts. And the urban South is, for the most part, better off than the rural South. This article highlights recent research findings on the status of rural Southern workers and their readiness for the future.

What the Future Holds for the Rural South

We know the future will differ from the past. Cotton fields give way to smokestacks. Smokestacks yield to service centers. Service centers may bow to some as-yet-unknown development. The economy, and therefore the life, of the rural South changes. The results of that change—good or bad—will depend largely on how well rural Southerners foresee the change and respond to it. And while no one can predict the exact nature of change or its implications, several trends give strong clues as to its general direction.

Technological Advance

Few trends influence our daily lives as profoundly as that of technological advance—especially computer-based technology. It truly changes the way we live and work. For workers, firms, and regions to exploit technology, they must be willing and able to stay abreast of technology and use it to advantage. While rural areas have historically been slow to gain access to and adopt new technology, recent research suggests that at least some parts of the technology gap are narrowing. A survey of manufacturing firms found "relatively few rural-urban differences in the use of new technology" and that "apparently, there is no longer any substantial rural disadvantage in access to information and specialized knowledge, at least insofar as technology adoption is concerned" (McGranahan). The survey did, however, find one obstacle to technology adoption that is especially prevalent in the rural South: low levels of education.

Service Sector Growth

That the United States, and indeed the industrialized world, has become a service economy is by now cliché. Indeed, in parts of the Nation and in some social circles, it is rare to find anyone that actually produces goods for a living. And the number of service jobs is increasing. From 1991 to 1996, 88 percent of the net new jobs in the Nation were created in service-producing industries. Since nothing suggests an end to this trend, job seekers of the future will find most of their prospects in the service sector.

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The implications for the rural South and its workforce are somewhat ambiguous. The question revolves around jobs and wages. Are service industries likely to locate in the rural South in sufficient numbers? Will they pay attractive salaries? Will they provide full-time employment? Research suggests that the more routine, export-oriented services are not likely to shift to rural areas to take advantage of low-cost labor the way manufacturing did. Their reliance on proximity to markets and/or sophisticated telecommunications infrastructure may prohibit such a move, particularly if rural areas continue to lag urban in gaining advanced telecommunications.

As for wages, research findings are mixed. High-skill producer services do pay attractive wages. The trick will be getting those jobs to locate in the rural South by offering the things that attract such firms—good schools, adequate infrastructure, community services, and the like.

Organizational Restructuring

In response to their changing environment, firms and entire industries are changing the way they do business. Unlike its hierarchical, large-scale, vertically integrated ancestor, the firm of the future will likely be flatter, more flexible, and more focused on niche markets. Not surprisingly, such organizations will need workers who can solve problems, make decisions, work in teams, and adapt to changing circumstances.

The implications for the rural South of such restructuring are less than obvious. They will likely vary greatly by industry and location. One researcher finds that restructuring may slow wage growth but not employment growth in the rural South. In fact, manufacturing employment continues to shift from urban to rural areas despite restructuring of industry and the increased importance of being close to one's suppliers and markets (Barkley).

Globalization

Simply stated, globalization means that barriers to commerce are falling. It means freer markets and freer flowing capital. It means that corporations can buy where they wish, produce where they wish, and sell where they wish. Consequently, it means more choices and lower prices for the consumer. Unfortunately, it also often means lower wages for the worker and increasing vulnerability for workers, firms, and even entire economies. Everyone competes with everyone else.

As for the South, its rural areas have in the past been "safe harbors for the nation's labor-intensive and natural resource-dependent industries." In the global economy, however, these areas and their dominant sectors are growing more vulnerable to competition from lower cost producers in Asia and Latin America (Glasmeier and Leichenko).

Demographic Change

Just as barriers to the movement of goods and services fall, so too do barriers to the movement of people. From 1990 to 1996, 1.6 million more Americans moved from the city to the country than the reverse. Another 227,000 moved to rural areas from other countries. The reasons, of course, vary. Some move to find work, others move to find a higher quality of life, others move to be near family. Whatever the reasons, many rural areas are growing, with great impact on their economic future.

Obviously, growth affects an area directly. More people pay more taxes and need more housing, infrastructure, and services. Less obvious, though no less important, is the effect migration has on the distribution of human capital. The age, education, income, and skills of migrants greatly influence the economy and prospects of both areas—the one getting them and the one losing them.

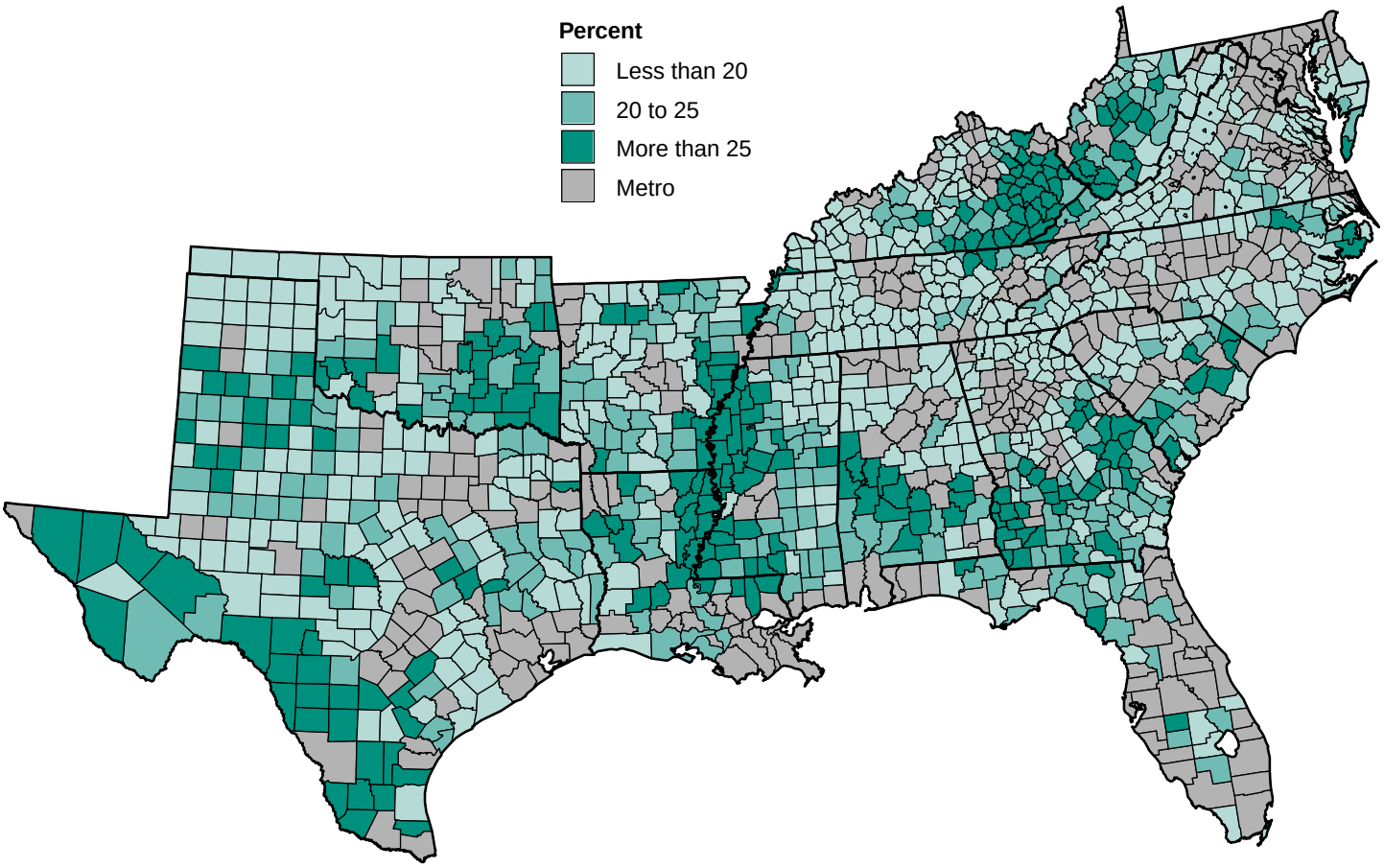
What impacts on human capital will this influx of migrants have on the rural South? Overall, the picture is good. A majority of the net inmigrants is in the early career years and a disproportionate share is in young families. And the "brain drain" (the departure of the more educated) that prevailed in the 1980's has slowed and possibly stopped. High school graduates are now over-represented among those moving into the rural South, and high school dropouts are under-represented. In addition, more college graduates are moving into than out of the rural South, although they are still somewhat under-represented among inmigrants (Nord and Cromartie).

The destination within the rural South of these migrants varies. Most of the net gain goes to counties next to metro areas, but much of it also goes to nonadjacent counties. Counties with natural amenities—lakes, rivers, mountains, beaches, etc.—offer the strongest appeal to migrants, while the poorest areas benefit the least. Net migration to the 443 rural Southern persistent-poverty counties (those that have had poverty rates in excess of 20 percent in each of the last four censuses) remains far below migration to other counties. Worse, during the 1980's, characteristics of migrants to the poverty counties tended to reinforce rather than mitigate economic inequality. Whether that trend is continuing in the 1990's remains to be seen (Nord and Cromartie).

Government Intervention

Government intervention influences the workplace in myriad ways. It affects so many aspects of work, in fact, that describing its various implications for the future borders on the impossible. The implications of one specific intervention—welfare reform—are, however, relatively clear: large numbers of people with scant work experience, relatively few skills, and little formal education will be entering a job market that demands exactly the opposite.

Figure 1
Poverty rate of nonmetro counties in the South, 1995
Pockets of poverty remain across the rural South



Source: Prepared by ERS using data from the U.S. Bureau of the Census Small Area Income and Poverty Estimates, 1995.

Across the Nation, rural areas rely more heavily than do urban on government transfer payments—things such as Social Security, Medicare, and Medicaid. In fact, they comprise one-fifth of rural income as opposed to 15 percent of urban income. And many areas of the rural South—Appalachia, the so-called "Black Belt," the Mississippi Delta, counties in Texas with high concentrations of Hispanics—depend even more on these payments. Obviously, changes in these programs, such as those stemming from welfare reform, will have a tremendous effect on people in the rural South. This is especially true in areas that have few jobs available and few ancillary services, such as childcare and transportation, that are critical for welfare reform to work.

Clearly, these trends point to a future that demands more from workers, firms, and regions. The game is changing—in terms of competitors and in the rules of competition. The days in which the rural South fed itself through cheap land and cheap labor are numbered. Success, if not survival, will require a workforce ready to use cutting-edge technology, ready to take on competitors worldwide, ready to rethink what they do and how they do it.

Shaping the Workforce

Shaping a workforce for the future involves many hands. Together, they provide the nurture, education, experience, and incentives that forge the workforce (as well as footing most of the bill). Unfortunately, the process is hampered in parts of the rural South by its "legacies" of poverty, undereducation, and racial inequality. As a result, readiness is in question.

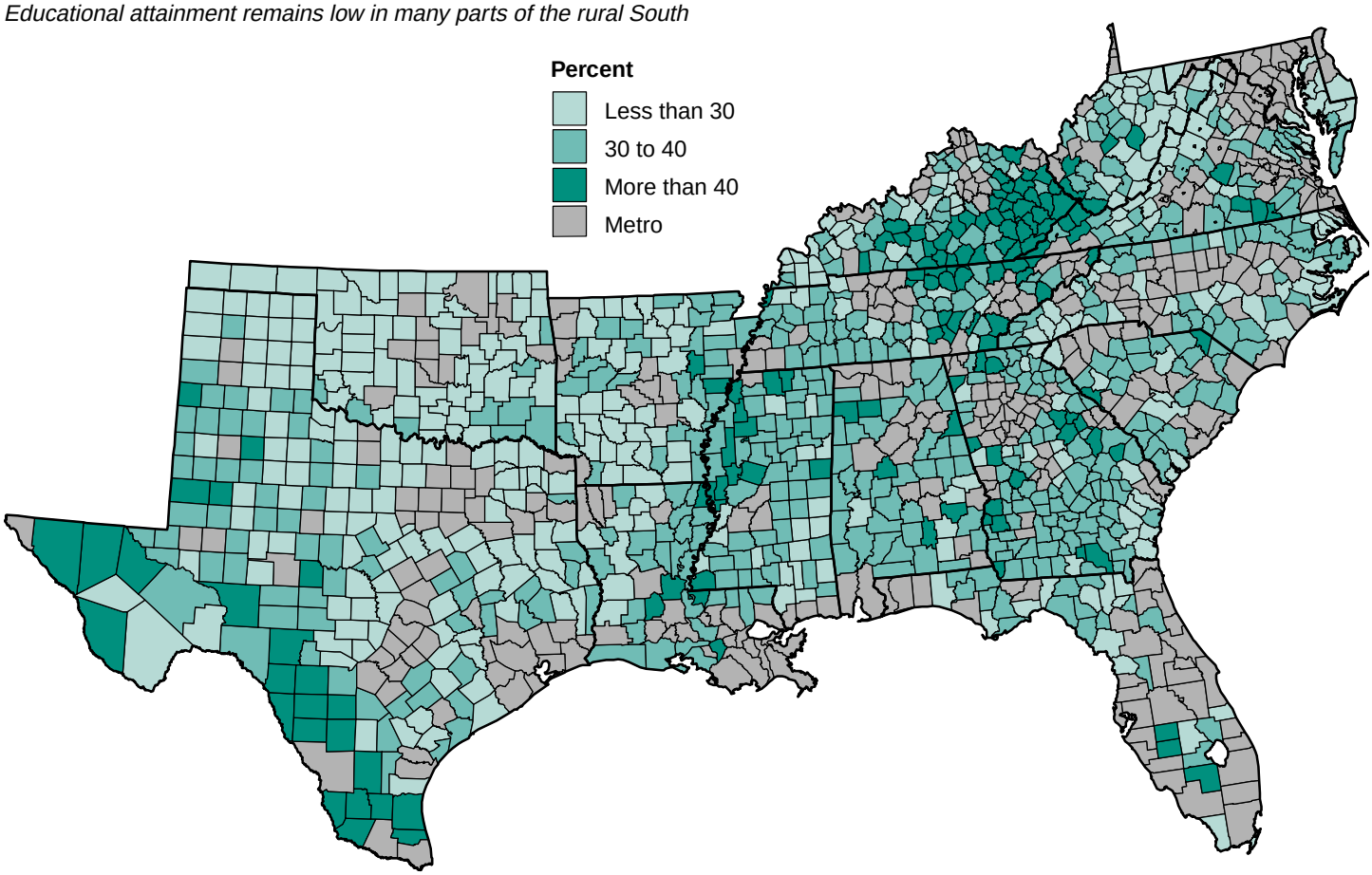
Poverty

The rural South continues to lag the rest of the country in terms of income. In 1997, median household income in the rural South was only 73 percent of U.S. median household income (or $10,000 less per year). Southern rural Blacks and Hispanics fared even worse. Furthermore, income and wealth are "inextricably linked, for it is higher income that gives a family the opportunity to own a house, start a business, invest in education." Unfortunately, "one in five Southern families has essentially no wealth" (MDC, Inc.).

Figure 2

Proportion of working-age persons lacking high school diploma or equivalent in nonmetro counties of the South, 1990

Educational attainment remains low in many parts of the rural South



Source: Prepared by ERS using data from the U.S. Bureau of the Census Summary Tape File 3C, 1990.

But that is only part of the story. By aggregating personal income to the community level, we can begin to gauge its impact on a community's ability to care for its own—to pay for the schools that are so critical, to finance infrastructure, to improve health, and to lower crime. Here again, parts of the rural South stand out in their misfortune. Of 1,006 counties in the rural South, 44 percent (443) are persistent poverty counties and many have poverty rates as high as 40 percent (fig. 1).

Frankly, expecting communities such as these to develop and maintain a workforce that can compete worldwide using the latest technologies and business practices is perhaps unrealistic. Indeed, lacking the resources to develop, they are unable to increase their resources.

Undereducation

Charged with educating and training tomorrow's workforce, local school systems play a crucial role in a region's well-being. Sadly, researchers conclude time and again that education and training in the rural South fall far short. One of the most recent studies found that teachers in the rural South:

- are less satisfied than those in other regions with salaries, resource availability, class size, teaching as a career, and the level of "problems" in the learning environment;
- receive lower pay than teachers in other rural areas; and
- graduate from prestigious universities at lower rates than other rural teachers do (Ballou and Podgursky).

On top of these deficiencies lie those that plague rural schools across the Nation, such as fewer advanced classes, lower teacher salaries, and teachers leading classes outside their major subject. Schools in the rural South appear to suffer twice: once for being rural and again for being Southern (fig. 2).

Not surprisingly, achievement scores for students in the rural South continue to lag national, rural, and urban South averages, as do measures of adult literacy and educational attainment (table 1).

Racial Inequality

In examining the South, one never gets afar from the subject of race. It plays a significant role in the endowments and performance of the rural South. Referring specifically to education and training, one researcher makes the larger case as well: "The presence of a significant Black minority in the region and the legacy of unequal public human capital investments create an environment of unusually large variation in education and training outcomes within the region, and lower levels of attainment and achievement overall" (Gibbs).

Obviously, improving the overall endowment and prospects of the rural South demands reducing long-term racial inequalities (fig. 3).

Is the South Ready or Not?

Of course, the proof of the pudding is in the eating. If we are concerned about the ability of the rural Southern workforce to prosper, we must look not only at factors that shape it, but also at the ability itself—at labor market performance.

The Good News

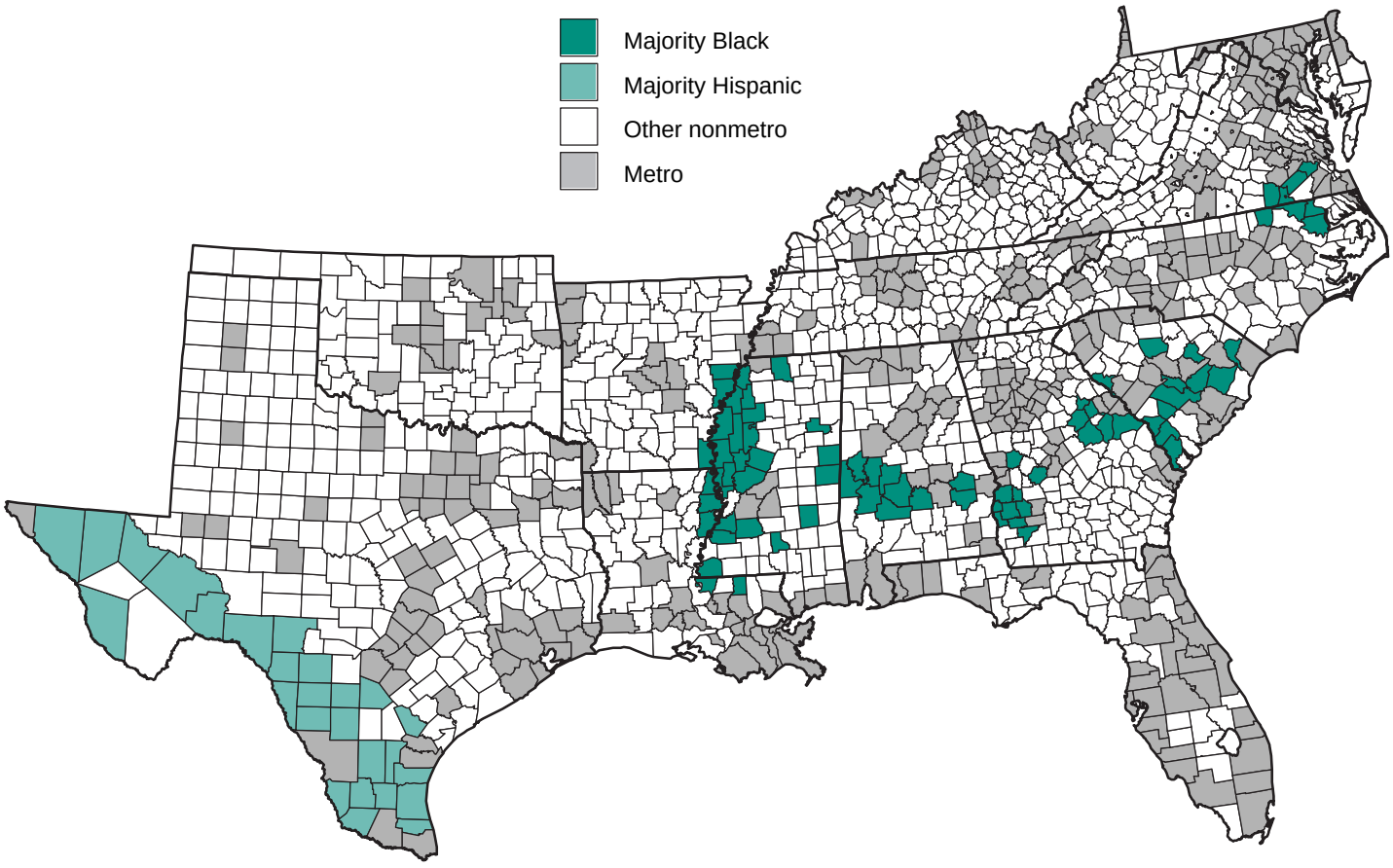
Some workers in the rural South are doing quite well. In a region where manufacturing provides nearly 20 percent of the jobs, more than 25 percent of earnings, and indirectly generates a substantial number of service sector jobs, the actions of manufacturers are critical. And the news on the manufacturing front is somewhat favorable. The recent spate of automotive plants locating in the South (some in rural areas) has brought with it higher skill, higher wage jobs. In fact, research findings indicate that high-skill manufacturing jobs grew faster in the 1970's and 1980's in the rural South than did other, low-skill manufacturing jobs (such as those involved in the making of lumber, paper, and textiles) in which growth was flat (Wojan).

In addition, there are signs that other manufacturers are "upskilling." The ERS manufacturing survey finds evidence that "new technologies are raising the skill needs of rural manufacturers." And as for the South, manufacturers in rural counties with higher levels of education are adopting technology at only slightly lower rates than are firms elsewhere in the country (McGranahan).

Figure 3

Majority Black and majority Hispanic nonmetro counties in the South, 1990

Parts of the rural South have high concentrations of minorities



Source: Prepared by ERS using data from the U.S. Bureau of the Census Summary Tape File 3C, 1990.

Table 1

Measures of educational achievement and attainment

Education lags in the rural South

Item	U.S. average	Urban South	Rural average excluding South
	Rural South score as a percentage of other groups' scores		
Test scores, 1994:			
Math	97	98	96
Reading	97	98	96
Science	97	99	94
Educational attainment, 1998:			
Less than high school	173	173	193
High school graduate	117	119	92
Some college	88	90	85
College graduate	53	51	79

Source: Achievement—National Assessment of Educational Progress in Gibbs; Attainment—1998 March Current Population Survey, from Mark Nord.

In general, higher skills imply higher wages, broader opportunities, and easier access to continued skill development. Thus, higher skilled workers, in the rural South and elsewhere, face a more prosperous, more secure future than those with lower skills. Unfortunately, the rural South still has more than its share of people on the low end of the scale.

The Bad News

The toll that poverty, poor education, and racial inequality take on many workers in the rural South can be seen in three critical dimensions of the labor market—the ability to find work, the ability to earn a living wage, and the ability to advance.

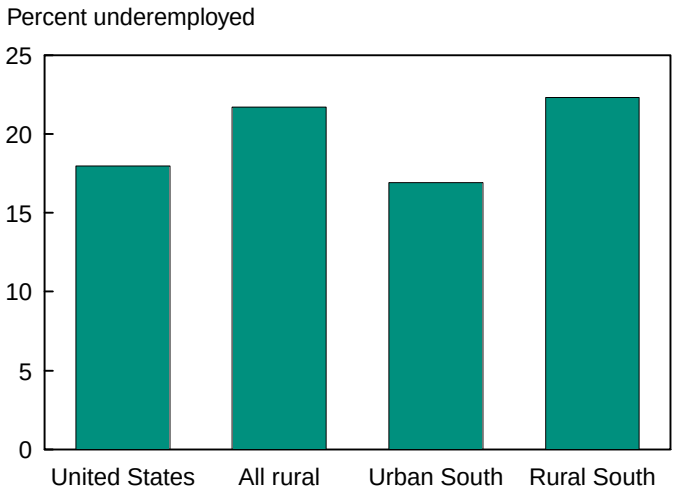
Employment. The unemployment rate is higher in the rural South than in the Nation as a whole, the rest of rural America, or the urban South—but that is only part of the problem. A better measure counts not only the unemployed, but also "discouraged workers" who have given up looking for a job, workers who work less than full-time only because they are unable to find full-time jobs, and the "working poor" who earn less than 125 percent of the individual poverty threshold. On this measure of under-employment, the rural South fares slightly worse than the U.S. rural average, but significantly worse than the urban South and the rest of the Nation (fig. 4) (Jensen and Wang).

Breaking this measure down into its components and examining the performance by race and education sharpens the focus. As expected, education reduces underemployment. The more you have, the better off you are. In fact, over one-third of high school dropouts in the rural

Figure 4

Underemployment in the rural South compared with other groups, 1998

Rural underemployment remains high in the South



Source: Jensen and Wang; March 1998 Current Population Survey.

South were underemployed in 1998, whereas less than 5 percent of college graduates were (Jensen and Wang). Those who do not go to college, on the other hand, are more likely to face periods of unemployment than their college-educated peers and tend to be unemployed for three times longer (Beaulieu and Barfield).

Also as expected, Blacks and Hispanics suffer underemployment at significantly higher rates than Whites. Twenty-nine percent of Blacks in the rural South were underemployed in 1998, compared with 30 percent of Hispanics and 20 percent of Whites (Jensen and Wang).

Wages. Given the South's historic reliance on low wages as a business recruitment strategy, it should come as no surprise that wages per job in the rural South remain well below the national and rural averages—and the situation is not improving. Likewise, manufacturing jobs in the rural South (nearly 20 percent of all jobs) pay only 68 percent of the U.S. average, the same as they did in 1969.

Low wages partly explain the prevalence of the "working poor" in the rural South and the fact that they account for nearly half of all working poor in rural America (Jensen and Wang). Low wages also explain a large part of the underemployment problem in the rural South. Of the 22.3 percent of underemployed people in the rural South, the "working poor" comprise the largest group at 9.6 percent, followed by 6.1 percent working "low hours," 5.5 percent "unemployed," and 1.1 percent "sub-employed" (Jensen and Wang).

Recent research on the factors contributing to poverty among workers suggests that human capital is very important in accounting for poverty among workers and

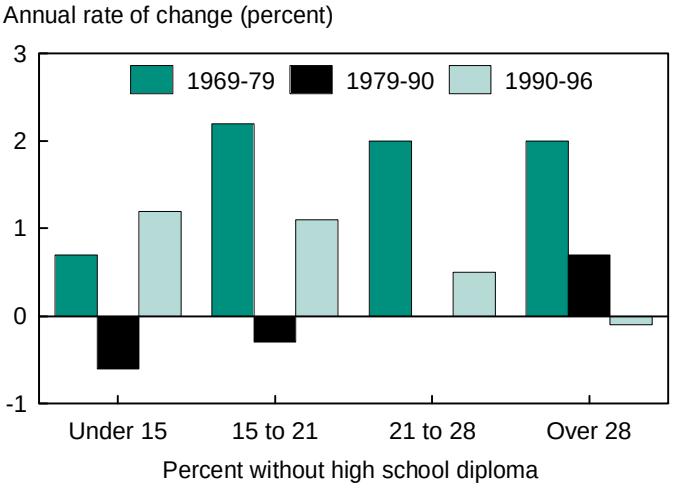
that educational attainment is increasingly important in lifting workers above poverty (Thompson and Gray). As corroborating evidence, recent data from the Census Bureau show that in 1997, college graduates earned an average of 76 percent more than workers with only a high school diploma.

Advancement. For those hampered by poverty, poor education, and/or racial inequality, climbing the career ladder (if there is one) is no easy task. Consider rural Southerners who have graduated from high school but do not go on to college. Once in the labor force, they tend to have fairly stable employment histories. However, that stability tends to keep them in lower skill, lower paying jobs that offer little chance of advancement. In fact, nearly 60 percent had not advanced appreciably after 4 years in the workforce. Some lost ground. As one might expect, noncollege-bound Blacks have a tougher go of it than either Whites or Hispanics (Beaulieu and Barfield).

Training and skill development represents another aspect of career advancement. A survey of rural Southerners showed that (1) those with higher levels of education are more likely to demand training, (2) holding a high-prestige position increases the likelihood of getting training, (3) participation in training is motivated by social capital or civic engagement, and (4) demand for training depends in part upon having opportunities for a new job (Rupasingha and Ilvento).

Finally, the type and number of firms that choose to locate in a region can significantly affect the advancement opportunities of workers in that region. On that subject, the ERS manufacturing survey found that new manufacturing technologies raise job skill requirements and, consequently, manufacturers using those technologies are less likely to locate in low education areas, including those in the rural South. In a reversal of previous periods, Southern rural manufacturing employment in the 1990's has shifted away from counties with low levels of education and toward those with higher levels (fig. 5). In addition, when asked about the problems associated with adopting new technologies, 40 percent of rural Southern manufacturers said adequacy of worker skills was a barrier (McGranahan).

Figure 5
Change in rural manufacturing jobs in the South by county education level
Recent growth in manufacturing jobs has been higher in areas with higher levels of education



Source: McGranahan.

Getting Ready

Getting ready means different things for different people and places. In many of the South's urban and rural areas, change brings the promise of opportunity and prosperity. In those areas, getting ready means continuing to do what they have been doing—continuing to adopt new technology, tap new markets, learn new skills, and the like.

For the "other South," however, changes threaten rather than promise. For these predominantly rural areas, getting ready means not only adapting to the future, but also overcoming the past. The two meet head to head in the labor market, where a changing demand meets a largely unchanging supply.

Changing Demand

Job opportunities are, and will continue to be, greatest for those with higher levels of education and technical skills. Those with less education and fewer skills will likely be relegated more and more to lower paying jobs in the service sector with little potential for advancement. An ironic exception seems to be the rising demand for low-skill, low-wage workers in industries like meatpacking that attract large numbers of Hispanic and, in some cases, Asian immigrants. That these jobs are going to immigrants with relatively few skills, little education, and quite often a language deficiency presents something of a conundrum. Why aren't residents of the region taking these jobs? It appears that the jobs are simply too unattractive to native-born Americans—even those with relatively few prospects—because of the wages and nature of the work.

Unchanging Supply

In the past, many young people in the rural South went to work rather than continue their education. The prevailing wage afforded a stable, comfortable living and the returns to education in the local labor market were low. That is changing. Yet large portions of the rural South continue to lag in educational attainment.

On the other hand, at least some of the low-skill jobs that exist go to immigrants. Thus, it seems that many workers in the rural South are perhaps stuck in the middle—unable to compete for the higher skilled jobs and unwilling to take the lower skilled ones.

Finally, there are obstacles to qualified workers moving to better jobs outside the region. First, despite improvements, workers in rural areas—especially poor rural areas—often lack accurate, up-to-date information on job opportunities outside their immediate region. The situation is made worse, of course, by lack of education. Likewise, prior experience with cyclical employment seems to lead some workers to believe that "the old jobs will return." Second, commuting or relocating to jobs outside one's area of residence can be quite costly—financially as well as socially.

So What Do We Do?

The research suggests two avenues of action: (1) helping workers get the education and skills they need to meet the demands of the changing workplace, and (2) helping workers find suitable jobs.

Regarding the first, recommendations to invest in human capital fill nearly every report written on the rural South. Yet the need continues. Why? Part of the reason stems from the fact that no one has come up with a way to get students to take the bait. In 1998, the percentage of rural Southerners with college degrees was only half of what it was for the Nation or the urban South—this despite the 76-percent premium that college graduates earn over those with only a high school diploma. Overcoming this educational inertia in the rural South is made especially difficult in areas where the current mix of jobs simply does not demand higher skills and young workers are loathe to move to higher skill jobs elsewhere, for which they would not qualify anyway.

The skills of those already in the workforce are just as important as the skills of those about to enter it. And raising the skills of those already working may be somewhat easier, especially if training is tied to higher earnings and advancement. Employer-based training programs, where companies manage both the curriculum and the rewards, have the best chance of doing that.

As for the second avenue, the first step is to improve the flow of information to workers about opportunities both in the region and elsewhere, since remoteness and low density make it hard for rural residents to learn of job openings. Furthermore, rural areas tend to rely heavily on informal systems to match workers and jobs. Openings are advertised via "word of mouth" among friends and relatives—a procedure that restricts both a firm's access to workers and workers' access to jobs.

One way to improve the information flow is to pay greater attention to and assist employment agencies as they match workers to jobs. Such agencies can find and screen potential workers for firms on the one hand, while providing workers with full-time employment (albeit often with various employers on a temporary basis) on the other. Critical services such as transportation and limited job training are also sometimes part of the package an agency offers.

Another way to improve information is by investing in advanced telecommunications and the ability to use them. Access to and familiarity with the Internet is a powerful way to match workers with jobs.

Second, efforts are needed to facilitate multiple job holding. In many areas, workers are forced to piece together full-time employment from several part-time jobs. As the economic base of rural areas changes, many workers are left without full-time jobs. Growth in seasonal employment—tourism and other service sectors—provides mainly part-time opportunities. In order to get by, many households have to combine multiple part-time jobs by several members of the household. Again, employment agencies can help by matching workers with jobs. In such cases, support services like child care are also critical.

Finally, every effort should be made to maintain existing jobs in the region—even those that are low-skill and low-wage. For many workers, those jobs are the only ones for which they will ever qualify and for other workers they are the first step in building a career. That said, those jobs cannot be viewed as a long-term solution to the region's problems. Rather, they should be considered an interim measure, a necessary transition into the new economy.

It is often the nature of recommendations that they raise as many questions as they answer. And these are no different. How do we help students overcome the educational inertia that surrounds them and go on to graduate from college? How do we make it worth their while to come back with those degrees? Will higher quality labor in an area attract higher quality jobs or are higher quality jobs the key to improving the quality of labor? How do all these pieces fit together? And who should do what?

Obviously, questions remain. And while efforts to get ready cannot afford to wait on answers to those questions, efforts to answer the questions should not wait either. There is work to be done on both fronts, each feeding the other, because the future will not wait… whether the rural South and its workforce are ready or not.

For Further Reading . . .

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